

## Message Text

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20

ACTION EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 FEA-01 ERDA-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00

ACDA-07 /109 W

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R 210853Z JUL 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 7765

INFO AMEMBASSY TAIPEI

AMCONSUL HONG KONG

USLO PEKING

CINCPAC

AMEMBASY STOCKHOLM

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E.O. 11652: NA

TAGS: BPRO, ERGN, RP

SUBJECT: PROGRESS REPORT ON REED BANK AREA DRILLING GETS  
MODERATE PLAY.

1. THE ENERGY DEVELOPMENT BOARD ISSUED A PROGRESS REPORT  
ON REED BANK DRILLING JULY 19 THAT WAS CARRIED WITH VARYING  
DEGREES OF HYPERBOLE BY THE LOCAL PRESS ON JULY 20. MOST  
EYE-CATCHING WAS THE DAILY EXPRESS FRONT PAGE HEADLINE,  
"TRACES OF OIL FOUND IN PALAWAN DRILL SIT" (REFERRING TO  
SAMPAGUITA NO 1 WELL BEING DRILLED BY SALEN/AMOCO IN REED  
BANK AREA) AND THE ACCOMPANYING PICTURE WHERE "PRESIDENT  
MARCOS BEAMS HAPPILY AS HE STUDIES THE COMPUTER INTERPRETED  
ELECTRIC LOGGING WHICH INDICATES "ZONES OF INTEREST" IN THE  
DRILLING". LOCAL STOCK MARKET REACTED POSITIVELY ON THE  
RUMOR OF AN EDB ANNOUNCEMENT ON THE 19TH BUT STOCK PRICES  
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FELL AGAIN WHEN THE ACTUAL REPORT WAS PUBLISHED ON THE

20TH. ONE TRADE SOURCE IN A POSITION TO KNOW TOLD EMBOFF THAT IT WAS HOPED THE EDB REPORT WOULD PUSH SEAFRONT AND IMPERIAL STOCKS (TWO LOCAL MEMBERS OF THE CONSORTIUM) TO 4 CENTAVOS PER SHARE, WHEREUPON VERY WELL-CONNECTED INSIDERS PLANNED TO SELL OUT. HOWEVER, IT APPEARS THAT THIS TIME THE PUBLIC DID NOT RISE TO THE BAIT.

2. THE GIST OF THE EDB PUBLIC REPORT IS THAT THE TARGET DEPTH OF 13,500 FEET HAS BEEN REACHED AND ELECTRIC LOGGING IS ABOUT TO BEGIN FOLLOWED BY DRILL STEM TESTING. THERE ARE THREE "HYDROCARBON BEARING ZONES" AT A DEPTH OF APPROXIMATELY 10,000-10,400 FEET ACCORDING TO EDB REPORT, PLUS TWO OTHER "INTERESTING ZONES" AT 11,200 FEET AND 12,700 FEET.

3. TRADE SOURCES ARE NOT TOO EXCITED ABOUT THE NEWS. WE HAVE HEARD VARIOUS REPORTS RECENTLY ABOUT "OIL SHOWS" BUT INSIDERS SAY THEY ARE NOT INTERESTING. WILSON LEE NEWELL OF AMOCO PHILIPPINES TOLD EMBOFF JULY 20 THAT HIS FIRM WAS DISCOURAGED WITH THE RESULTS OF THE SAMPAGUITA NO 1 DRILLING. HE ACKNOWLEDGED THERE WERE GAS AND OIL TRACES AND THE DRILL STEM TESTING MIGHT SHOW JUST ENOUGH TO GET PEOPLE, PARTICULARLY THE FILIPINOS, EXCITED. HOWEVER, HE SAID THAT WHAT THEY HAVE LEARNED ABOUT THE GEOLOGY OF THE STRUCTURE TELLS HIM THERE CAN'T BE OIL OR GAS OF COMMERCIAL QUALITY IN IT. AMOCO HAS A COMMITMENT UNDER THE SERVICE CONTRACT FOR TWO MORE WELLS IN THE AREA. ACCORDING TO NEWELL AMOCO DOES NOT PLAN TO DRILL A SECOND WELL UNTIL EARLY NEXT YEAR, BUT HE FEARED THAT IF THE DRILL STEM TESTING AT SAMPAGUITA NO 1 IS AT ALL POSITIVE, AMOCO WILL COME UNDER EXTREME PRESSURE FROM THE GOP AND LOCAL PARTNERS TO DRILL SOONER.

SULLIVAN

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## Message Attributes

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